



Department of Justice

FOR IMMEDIATE RELEASE
TUESDAY, OCTOBER 29, 2002
WWW.USDOJ.GOV

AT
(202) 514-2007
TDD (202) 514-1888

JUSTICE DEPARTMENT RECOMMENDS APPROVAL OF SBC's
APPLICATION TO PROVIDE LONG DISTANCE SERVICES
IN CALIFORNIA

Department Urges FCC Review of Pricing Proposal

WASHINGTON, D.C.-- The Department of Justice today recommended that the Federal Communications Commission (FCC) approve SBC's application to provide long distance services in California. At the same time, the Department urged the FCC to review carefully an issue involving SBC's pricing of unbundled network elements (UNEs). The Department's evaluation also noted the continuation of proceedings at the California PUC and deferred to the FCC regarding the potential impact of those proceedings on its Section 271 deliberations.

"The available evidence suggests that generally, SBC has succeeded in opening its local telecommunications markets in California," said Charles A. James, Assistant Attorney General in charge of the Department's Antitrust Division. "Competitors have made progress in penetrating the business markets, and the Department believes there are no longer any material non-price obstacles to residential competition."

Several months before SBC's filing of this application for long distance authority at the FCC, the California state commission issued orders establishing interim reduced UNE rates. The Department's evaluation notes concerns about the "true-up" mechanism proposed to adjust for differences between the interim rates and the new permanent rates to be set by the state

commission. The Department, while deferring to the Commission's ultimate determination of whether UNE rates are appropriately cost-based, urges the Commission to consider this issue carefully during its review of SBC's application.

The Department's evaluation also notes the potential impact on the FCC's deliberations of continuing proceedings at the state level regarding whether SBC has satisfied certain state statutory requirements. In its original decision, the state commission was unable to determine that SBC had satisfied the requirements of a state statute addressing whether SBC's entry into interLATA service within California would be consistent with the public interest. The California PUC recently solicited comments to assist it in concluding its inquiry regarding SBC's compliance with the state public interest requirements. The Department's evaluation defers to the FCC regarding the impact that these continuing state proceedings may have on the Commission's deliberations pursuant to Section 271.

The Department provided its competitive analysis in an evaluation of SBC's application to provide long distance services in California under Section 271 of the Telecommunications Act of 1996.

Since the break-up of the integrated Bell system as part of the AT&T divestiture, the independent Bell Operating Companies, or BOCs, have been barred from providing long distance services in their respective regions, first as part of the divestiture decree, and now under the terms of the Telecommunications Act. Under Section 271 of the Act, a BOC, such as SBC, may not provide in-region long distance services until it demonstrates to the FCC that it has met a variety of legal requirements designed to open the local telecommunications markets in a particular state to competition.

In considering whether to approve a BOC's application for long distance authority in a particular state, the FCC must consult with the Department of Justice and give "substantial weight" to its assessment of competitive conditions and whether the BOC should be allowed to provide in-region long distance services.

SBC filed its application with the FCC on September 20, 2002. Under the terms of the Act, the FCC must approve or deny the application within 90 days. A copy of the Department's evaluation will be available at:

<http://www.usdoj.gov/atr/public/comments/sec271/sec271.htm>.

###

02-448